



News for Immediate Release

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State Restructures Power Contract with Calpine Energy Services

Sacramento - The Department of Water Resources (DWR) today announced that a contract with Calpine Energy Services has been amended. The amendment is another step in the state's transition out of the power supply business following the 2000-2001 energy crisis.

Since 2002, DWR has re-negotiated 35 separate contracts with 19 companies at a cost savings of \$6.43 billion. The amended power agreement will cut DWR's payments by an additional \$1 billion and reduce its role in statewide electricity supply by about 20 percent.

The contract requires DWR to pay Calpine \$525 million annually for 1,000 megawatt-hours of must-take energy delivered year-round through 2009. Under the amended contract, DWR will pay Calpine between \$15 and \$35 million below prevailing rates for 180 megawatts of peaking capacity from Calpine's Los Esteros power plant in San Jose, Calif. The amended contract will take effect at the beginning of 2008.

The Calpine 2 contract was one of four contracts between DWR and Calpine that were negotiated in February 2001 during the state's energy crisis, and later amended in 2002. The power from the Calpine 2 contract was allocated by the California Public Utilities Commission to meet the demand of PG&E customers.

At one time DWR had four contracts with Calpine. Previously, in 2002, DWR eliminated \$800 million worth of power Calpine was to deliver in 2012 through 2021. In the same year, DWR also saved \$1.03 billion and \$1.16 billion from two other contracts with Calpine that would have delivered baseload energy in 2010 and 2011 respectively.

This power contract serves PG&E customers. DWR will petition the California Public Utilities Commission to ensure that PGE's customers share equitably in these savings with Southern California Edison and San Diego Gas and Electric customers.

The Department of Water Resources operates and maintains the State Water Project, provides dam safety and flood control and inspection services, assists local water districts in water management and water conservation planning, and plans for future statewide water needs.

Contact the DWR Public Affairs Office for more information about DWR's water activities.